

Noninsured Crop Disaster Assistance Program for 2015 and Subsequent Crop years



NAP Overview

- Reauthorized by the 2014 Farm Bill
- Provides financial assistance to producers of noninsurable crops to protect against natural disasters that result in lower yields or crop losses, or prevents crop planting.

Eligible Producers

- A landowner, tenant or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop.
- An individual or entity's average adjusted gross income (AGI) cannot exceed \$900,000 to be eligible for NAP payments

Eligible Crops

Eligible crops must be commercially produced agricultural commodities for which crop insurance is not available and be any of the following:

- Crops grown for food;
- Crops planted and grown for livestock consumption, such as grain and forage crops, including native forage;

Eligible Crops (Continued)

- Crops grown for fiber, such as cotton and flax (except trees);
- Crops grown in a controlled environment, such as mushrooms and floriculture;
- Specialty crops, such as honey and maple sap;
- Sea oats and sea grass;
- Sweet sorghum and biomass sorghum;

Eligible Crops (Continued)

- Industrial crops, including crops used in manufacturing or grown as a feedstock for renewable biofuel, renewable electricity, or biobased products;
- Value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery, and turfgrass sod; and
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Eligible Cause of Loss

Eligible causes of loss include the following natural disasters:

- Damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind or hurricanes;
- Adverse natural occurrences, such as earthquake or flood; and
- Conditions related to damaging weather or adverse natural occurrences, such as excessive heat, plant disease, volcanic smog (VOG) or insect infestation.

Eligible Cause of Loss

The natural disaster must occur during the coverage period, before or during harvest, and must directly affect the eligible crop.



Coverage Levels

- NAP provides **catastrophic level (CAT) coverage** based on the amount of loss that exceeds 50 percent of expected production at 55 percent of the average market price for the crop.



Coverage Level

- The 2014 Farm Bill authorizes additional coverage levels ranging from 50 to 65 percent of production, in 5 percent increments, at 100 percent of the average market price. (Buy-up Coverage)
- Additional coverage or buy-up coverage must be elected by a producer by the application closing date.
- Producers who elect additional coverage must pay a premium in addition to the service fee.
- Crops intended for grazing are not eligible for additional coverage.



Applying for Coverage

- Eligible producers must apply for coverage and pay the applicable service fee at the FSA office where their farm records are maintained. The application and service fee must be filed by the application closing date.
- Application closing dates vary by crop and are established by the FSA State Committee.



Service Fees and Premiums

- For all coverage levels, the NAP service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for a producer with farming interests in multiple counties.

Service Fees and Premiums

Producers who elect additional coverage must also pay a premium equal to:

- The producer's share of the crop;
- Times the number of eligible acres devoted to the crop;
- Times the approved yield per acre;
- Times the coverage level;
- Times the average market price;
- Times a 5.25 percent premium fee.

Service Fees and Premiums

Watermelon Example:	<u>CAT</u>	<u>Buy-up</u>
– The producer's share of the crop;	100%	100%
– Times the number of eligible acres devoted to the crop;	10.0	10.0
– Times the approved yield per acre(cwt);	200	200
– Times the coverage level;	50%	65%
– Times the average market price; (CAT=55%)	\$6.688	\$12.16
– Times a 5.25 percent premium fee.	-	\$829.92
– Plus Administration Fee	<u>\$250</u>	<u>\$250</u>
– TOTAL Cost for NAP Coverage	\$250	\$1,079.62

Service Fees and Premiums

Watermelon Payment Example:	<u>CAT</u>	<u>Buy-up</u>
– The approved yield per acre(cwt);	200	200
– Times the coverage level;	50%	65%
– Guaranteed coverage; (cwts)	100	130
– Harvested production/acre	30	30
– Production eligible for payment	70	100
– Times the average market price; (CAT=55%)	\$6.688	\$12.16
– Indemnity Payment/acre	\$468	\$1,216

Service Fees and Premiums

For value loss crops, premiums will be calculated using the maximum dollar value selected by the producer on form CCC-471, "Application for Coverage."

Value Loss Crops include:

- Aquaculture, Christmas Trees, Ginseng, Turf Grass Sod, and Ornamental Nursery

Service Fees and Premiums

For value loss crops, the premium calculation is a product of:

Maximum Dollar Value (MDV) for which participant seeks coverage times the coverage level times the 5.25% premium factor (result not to exceed \$6,563 which is \$125,000 payment limitation times 5.25%).

Service Fees and Premiums

Value Loss Example – Turf Grass Sod

- A participant selects \$115,000 as the MDV. Producer also selects 65/100 coverage, In this case the producer would have premium calculated as follows:



Service Fees and Premiums

Value Loss Example – Turf Grass Sod

$\$115,000 \times 65\% \times 100\% \text{ share} \times 5.25\%$ results in a premium of \$3,924.



Calculation of NAP Payment – Value Loss Crop

Smaller of Actual FMV A (\$ Value of Pre-Disaster Inventory) OR Producer Selected
Maximum Dollar Value

$$\begin{aligned}
 &X \text{ Coverage Level Percentage (65\%, 60\%, 55\%, or 50\%)} \\
 &= \text{Disaster Level} \\
 &- \text{FMV B (\$ Value of Post Disaster Inventory + Value of Ineligible causes of Loss)} \\
 &= \text{Crop Loss} \\
 &X \text{ Producer Share} \\
 &X \text{ Unharvested Factor} \\
 &X \text{ Price Coverage Level Percentage} \\
 &= \text{Calculated NAP Payment}
 \end{aligned}$$

NAP Payment –Value Loss Crop

Variables	
Crop (Type/IU/Prac/ Plant Period)	Grass (WRG/SO/IR /01)
Producer Share	1.000
Producer Selected Value	\$115,000
Coverage Level	65/100
\$ Value Before Disaster	\$ 200,000
FMV B	\$ 50,000
Unharvested Factor	0.60

Calculation

$$\begin{aligned}
 &\text{FMV A} && \$115,000 \\
 X &\text{ Elect Cov Lvl} && 0.65 \\
 = &\text{ Disaster Level} && \$74,750 \\
 - &\text{ FMV B} && \$50,000 \\
 \hline
 = &\text{ Crop Loss} && \$24,750 \\
 X &\text{ Share} && 1.000 \\
 X &\text{ UH Factor} && 0.60 \\
 X &\text{ Price Cov} && 1.000 \\
 &\text{ Level} && \\
 \hline
 &= && \mathbf{\$14,850}
 \end{aligned}$$

Service Fees and Premiums

- The maximum premium for a producer is \$6,562.50 (the maximum payment limitation times a 5.25 percent premium fee).
- Beginning, limited resource, and traditionally underserved farmers are eligible for a waiver of the service fee and a 50 percent premium reduction when they file form CCC-860, "Socially Disadvantaged, Limited Resource and Beginning Farmer or Rancher Certification."

Service Fees and Premiums

To be eligible for a service fee waiver or premium reduction, producers must qualify as one of the following:

- Beginning Farmer or Rancher
- Limited Resource Farmer
- Socially Disadvantaged Farmer

Service Fees and Premiums

Beginning farmer – a person who:

- Has not operated a farm or ranch for more than 10 years, and
- Materially and substantially participates in the operation.

For legal entities to be considered a beginning farmer, all members must be related by blood or marriage and must be beginning farmers.

Service Fees and Premiums

Limited resource farmer – a person or legal entity that:

- Earns no more than \$176,800 in each of the two calendar years that precede the complete taxable year before the program year, to be adjusted upwards in later years for inflation; and
- Has a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income for both of the previous two years.

Service Fees and Premiums

Socially Disadvantaged Farmers

- American Indians or Alaskan Natives;
- Asians or Asian Americans;
- Blacks or African Americans;
- Native Hawaiians or other Pacific Islanders;
- Hispanics; and
- Women.

Service Fees and Premiums

Socially Disadvantaged Farmers

For legal entities to be considered socially disadvantaged, the majority interest must be held by socially disadvantaged individuals.

Coverage Period

The coverage period for NAP varies depending on the crop.

The coverage period for an annual crop **begins** the later of:

- 30 days after application for coverage and the applicable service fees have been paid; or
- The date the crop is planted (cannot exceed the final planting date).

Coverage Period

The coverage period for an annual crop **ends** the earlier of the:

- Date the crop harvest is completed;
- Normal harvest date for the crop;
- Date the crop is abandoned; or
- Date the entire crop acreage is destroyed

Coverage Period

The coverage period for a **perennial crop**, other than a crop intended for forage, begins 30 calendar days after the application closing date and ends the earlier of:

- 10 months from the application closing date;
- The date the crop harvest is completed;
- The normal harvest date for the crop;
- The date the crop is abandoned; or
- The date the entire crop acreage is destroyed.

Required Information

To be eligible for NAP assistance, the following crop acreage information must be reported:

- Name of the crop (lettuce, clover, etc.);
- Type and variety (head lettuce, red clover, etc.);
- Location and acreage of the crop (field, sub-field, etc.);
- Share of the crop and the names of other producers with an interest in the crop;

Required Information

To be eligible for NAP assistance, the following crop acreage information must be reported:

- Type of practice used to grow the crop (irrigated or non-irrigated);
- Date the crop was planted in each field; and
- Intended use of the commodity (fresh, processed, etc.).

Required Information

Producers should report crop acreage shortly after planting (early in the risk period) to ensure reporting deadlines are not missed and coverage is not lost.

Required Information

In addition, producers with NAP coverage must provide the following production information:

- The quantity of all harvested production of the crop in which the producer held an interest during the crop year;
- The disposition of the harvested crop, such as whether it is marketable, unmarketable, salvaged or used differently than intended; and
- Verifiable or reliable crop production records (when required by FSA).

Required Information

Failure to report acreage and production information for NAP-covered crops may result in reduced or zero NAP assistance. Be aware that acreage reporting and final planting dates vary by crop and by region.

Producers should contact the FSA office where their farm records are maintained for questions regarding local acreage reporting and final planting dates.

Actual Production History (APH)

FSA uses acreage reports to verify the existence of the crop and to record the number of acres covered by the application. The acreage and the production reports are used to calculate the approved yield (expected production for a crop year).

The approved yield is an average of a producer's actual production history (APH) for a minimum of four to a maximum of 10 crop years (five years for apples and peaches). To calculate APH, FSA divides a producer's total production by the producer's crop acreage.

Actual Production History (APH)

A producer's approved yield may be calculated using substantially reduced yield data if the producer does not report production for a crop with NAP coverage, or reports fewer than four years of crop production.

Actual Production History (APH)

Beginning with the 2015 crop year, FSA has changed the production reporting requirements to avoid penalizing producers for years when they do not participate in NAP and do not report their production.

- Those producers will no longer receive an assigned yield or zero-credited yield in their actual production history (APH) for that year.

Actual Production History (APH)

- Producers may also request replacement of assigned yields and zero-credited yields in their APH for the 1995 through 2014 crop years with the higher of 65 percent of the current crop year T-yield or the missing crop year's actual yield.

Notice of Loss and Applying for Payment

When a crop or planting is affected by a natural disaster, producers with NAP coverage must notify the FSA office where their farm records are maintained and complete a “Notice of Loss and Application for Payment.” This must be completed within 15 calendar days of the earlier of:

Notice of Loss and Applying for Payment

- A natural disaster occurrence;
- The final planting date if planting is prevented by a natural disaster;
- The date that damage to the crop or loss of production becomes apparent; or
- The normal harvest date.

Notice of Loss and Applying for Payment

Producers of hand-harvested crops and certain perishable crops must notify FSA within 72 hours of when a loss becomes apparent. The crops subject to this requirement will be listed in the NAP Basic Provisions.

Notice of Loss and Applying for Payment

- To receive NAP benefits, producers must complete an Application for Payment,” within 60 days of the last day of coverage for the crop year for any NAP covered crop in the unit.
- The application for payment requires acceptable appraisal information. Producers must provide evidence of production and note whether the crop was marketable, unmarketable, salvaged, or used differently than intended.

Payment Limitation

NAP payments received, directly or indirectly, will be attributed to the applicable individual or entity and limited to \$125,000 per crop year, per individual or entity.



2015 NAP Application Closing Dates

Crop	Application Closing Date
Aquaculture, Christmas Trees, Ginseng Ornamental Nursery, Turf Grass Sod	09/01/2014
Oats, Wheat, Strawberries	09/30/2014
Apples, Asparagus, Caneberries (Blackberries and Raspberries), Figs, Grapes, Nectarines, Peaches, Pears, Plums	11/20/2014
Honey	12/01/2014
Broccoli, Cabbage (Spring & Fall) Carrots, Greens (Spring & Fall), Onions, Green Onions, Pecans (Native & Improved), Potatoes (Spring & Fall)	01/01/2015



2015 NAP Application Closing Dates

Crop	Application Closing Date
Beets, All Beans except Green Beans, Cantaloupes, Corn, Cotton, Cucumbers (Spring & Fall), Eggplant, Grain Sorghum, Lettuce, Okra, Peanuts, Peas (Spring & Fall), Peppers, Pumpkins, Rice, Soybeans, Edamame Soybeans, Squash (Spring & Fall), Sugarcane, Sunflowers, Sweet Potatoes, and Watermelons	02/28/2015
Green Beans, Sweet Corn, Tomatoes (Spring & Fall), Tomatillos, and Sesame	3/15/2015

2015 NAP Application Closing Dates

Crop	Application Closing Date
Barley, Oats, Rye, Wheat, Small Grains interseeded, Red Fescue, Tall Fescue, Orchard Grass, Annual Rye, Mixed Forage – Cool Season for Forage or Grazing	09/30/2014
Corn, Millet, Sorghum, or Forage or Grazing	02/28/2015
Alfalfa, Bahia, Coastal Bermuda, Common Bermuda, Hybrid Bermuda, Old World Bulestem, Lovergrass, Native interseeded, Sudangrass, Mixed Forage –Warm Season, Barkant Turnips for Forage or Grazing	03/15/2015

FSA Website: www.fsa.usda.gov

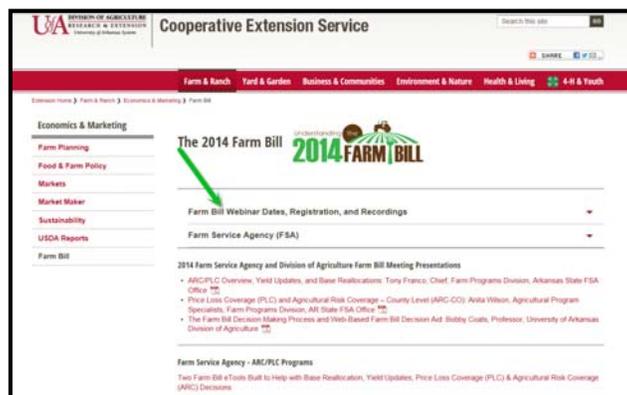
NAP Program Information:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=diap&topic=nap>



Webinars & Recordings

www.uaex.edu/farmbill



Questions

Address your NAP questions to your local FSA Office, or myself at the following location.

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 **DIVISION OF AGRICULTURE**
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**2014 FARM BILL**